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Investment Idea / IPO Note

Oxford Innotech Berhad

Modular Niche, Global Reach

By Crystal Chin

BUY

IPO Price: RM0.29

Fair Value: RM0.36

Oxford Innotech Berhad (OXB, 0368), is an integrated engineering solutions provider that designs and manufactures precision metal and plastic parts for industries like semiconductors, E&E, telecommunications, ergonomic furniture, automotive, and modular buildings. We project OXB to register core net earnings of RM12.3m and RM15.8m for FY25F and FY26F. BUY with a fair value of RM0.36, premised on a weighted average 16x PER (20% discount from its industry peers) on FY26F EPS.

OXB's ability to integrate IR4.0-enabled solutions with in-house design capabilities positions it as a long-term partner in clients' production workflows, rather than a one-off vendor. This enables OXB to serve high-spec clients across the semiconductor, E&E, and automation-driven industries.

A key earnings pillar is its 10-year supply deal with Sweden's SIBS AB, secured in January 2024, which offers recurring and scalable income through modular building components. As of October 2024, SIBS' USD1.27bn orderbook provides earnings visibility.

We anticipate a temporary decline in core net earnings for FY25, mainly due to the exceptionally strong job flow from modular building system (MBS) supplying to SIBS AB Group in FY24, which sets a high comparison base. The expected drop is attributed to the completion of a Saudi Arabia project. While the earnings growth is likely to resume in FY26, driven by SIBS's projects and the additional capacity from Penang Science Park (PSP) Factory 2 (Phase 1), slated to commence operations in 3Q25. This new facility will add 39k sq. ft. of manufacturing space to the current 86k sq. ft. across four factories.

This IPO proceeds will fund the construction of PSP Factory 2 (Phase 2) at a cost of RM23.1m to resolve space constraints and enabling OXB to scale production in support of its SIBS contract. The three-storey facility will accommodate expanded sheet metal and CNC machining operations, while existing facilities will be repurposed to support growth in the semiconductor segment. Construction is expected to commence in 1Q26 and be completed within a year. Concurrently, OXB plans to invest RM11.7m over three years to acquire 25 new machines particularly for precision engineering components solutions.

OXB's gearing ratio of 0.2x @FY24 and is expected to achieve net cash position post-listing. Our BUY call on OXB is premised on: (i) its integrated capabilities and long-term contract with SIBS that provide recurring income, (ii) upcoming capacity expansion to drive growth, and (iii) a healthy balance sheet.

KLCI	1,525.40
YTD FBM KLCI change	-7.12%
YTD FBM SC Index change	-12.61%

Stock Information

Market Cap Upon Listing (RM'm)	205.90
Enlarged Share Capital (m)	710.00
Shariah Compliant	Yes

IPO Proceeds (RM'm)

Construction of a new factory	23.10
Purchase/refining of new machinery	11.17
General working capital	3.33
Estimated listing expenses	4.00
Total	**41.60**

Major Shareholders

Ng Thean Gin	26.67%
Lee Lai Chan	14.68%
The Teng Wah	13.00%

Summary Earnings Table

FY Dec (RM'm)	2024A	2025F	2026F	2027F
Revenue	92.9	79.4	97.0	119.0
EBIT	20.5	16.3	20.9	25.6
Pretax profit	19.6	15.5	19.9	24.5
PATAMI	**15.6**	**12.3**	**15.8**	**19.4**
Core PATAMI	**15.6**	**12.3**	**15.8**	**19.4**
Consensus	-	12.2	15.3	18.4
Core EPS (sen)	2.2	1.7	2.2	2.7
EPS growth (%)	90%	-21%	28%	23%
DPS (sen)	-	0.49	0.49	0.56
PER (x)	13.2	16.7	13.0	10.6
BV/Share (RM)	0.07	0.09	0.12	0.12
ROE (%)	10.3%	24.4%	22.1%	21.5%
Div. Yield (%)	-	1.7%	1.7%	1.9%

Sources: Prospectus, Rakuten Trade Research

COMMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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